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**Office of Current Intelligence**

**CENTRAL INTELLIGENCE AGENCY**

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State Department review completed

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FAR EAST

1. Recall of ambassadors suggests Chinese Communist policy review:

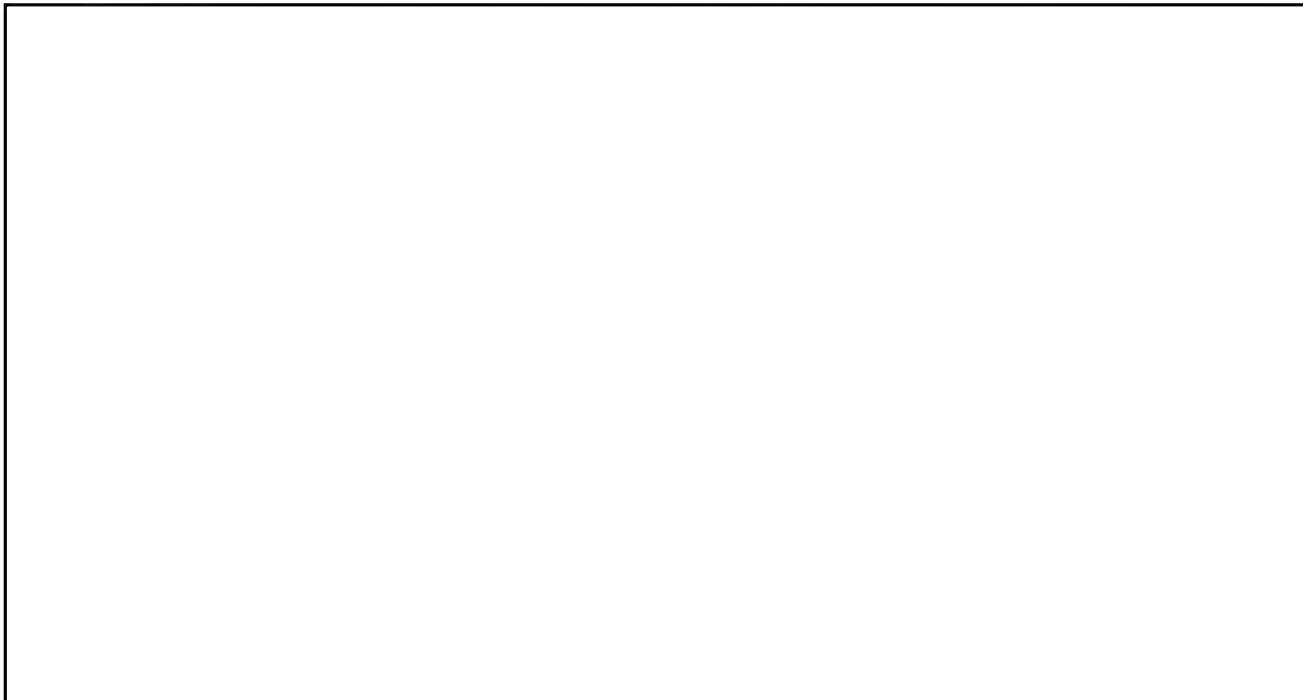
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Radio broadcasts from Peiping reveal that Chinese Communist ambassadors to the USSR, Poland, Bulgaria, East Germany, North Korea and Outer Mongolia are all absent from their posts. The whereabouts of the ambassadors to Czechoslovakia, Hungary and the Viet Minh is not known. Of the Chinese envoys to Orbit countries, only the ambassador to Rumania is known to be at his post.

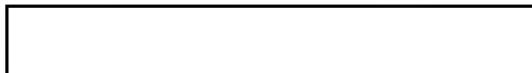
Comment: This recall of Peiping's envoys to Soviet bloc states began with the return to Peiping of the ambassador to the USSR just before Stalin's death last March. It suggests that the Chinese Communist leadership has been conducting a lengthy review of its policies toward other Orbit states, including the USSR, in the light of developments since early March.

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### SOUTH ASIA

3. Comment on reported Soviet agreement to negotiate barter deal with India:

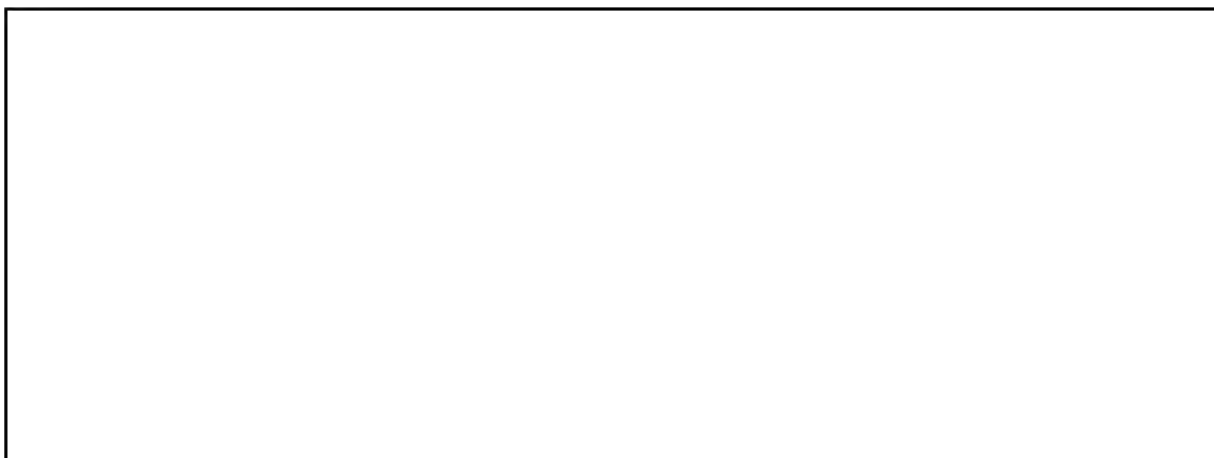
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The proposed three-year Soviet-Indian barter agreement providing for the exchange of unspecified amounts of Soviet wheat for Indian products could be used by the Soviet Union as an indication of its interest in the well-being of backward nations. The Indian government, meanwhile, probably views such an exchange as a means of showing its neutrality, saving dollar and sterling exchange, and demonstrating its foresight to the Indian people.

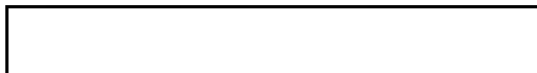
On the basis of past Soviet agreements with India and Afghanistan, it is not likely that the final agreement will be for as long as three years or that it will be fully implemented.

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5. Saudi Arabia reported considering diplomatic break with Britain:

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Saudi Arabia is considering breaking diplomatic relations with Britain because of British stubbornness on the Buraimi question.

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[redacted] told a US embassy representative that the possibility of a break was being discussed by King Ibn Saud and the Foreign Ministry.

The American charge in Jidda, in reporting this, observed that by furnishing this information to the embassy, the Saudi government may hope for a stronger American attitude toward Britain. The charge does, however, believe that the Saudi government may be exploring more drastic methods of solving the issue than those presently employed.



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## WESTERN EUROPE

### 6. West German officials comment on Soviet note:

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Experts in the West German Foreign Ministry believe that the Soviet note of 4 August reflects the continued indecision of the present Soviet regime and its inability to deal realistically with the German problem. The only possible success the note might have, in their opinion, would be to widen disagreement between Britain and the US on Far Eastern problems.

The German officials regard the references to German unity and a peace treaty as indicating Soviet agenda conditions for any talks but consider the references to Chinese participation, disarmament, and military bases merely as Soviet counterproposals. In the opinion of these German officials, Moscow will never agree to discussing free elections first.

Comment: The Soviet regime does not appear to want negotiations on the German question at this time and may continue to use such issues as disarmament and military bases to avoid such negotiations.

### 7. French government reaction to Soviet note pessimistic and cautious:

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The French government sees the Soviet note of 4 August as indicating "less desire than ever" for East-West talks and as offering no evidence of a willingness to make concessions on Germany. According to a high Foreign Ministry official, the government believes that the note was designed further to divide the Allies.

The French foresee a prolonged "battle of notes" and consider that the West's reply should be delayed until just before the 6 September West German elections.

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The Foreign Ministry official gave the American embassy no indication of French interest in Chinese participation in East-West talks as a means of broadening the discussion to include Indochina.

Comment: Despite its known interest in promoting any talks with Communist China as a direct means to peace in Indochina, Paris now appears to be awaiting developments on the forthcoming Korean conference before pushing this position.

The French government has previously insisted that it will not push for EDC ratification until the possibility of four-power talks has been thoroughly explored. Hence it may welcome a long period of note exchange as giving it time to prepare for the anticipated parliamentary battle.

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